17. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1998

The following three parts of this chapter compare the actual total receipts, outlays, and surplus for 1998 with the current services estimates[1] shown in the FY 1998 Budget published in February 1997. The fourth part of this chapter shows additional details for a comparison of mandatory and related programs, and the final part reconciles actual receipts, outlays, and surplus totals for 1998 previously published by the Department of the Treasury with those in this budget.

Receipts

Receipts in 1998 were $1,721.8 billion, which is $148.0 billion greater than the current services estimate of $1,573.8 billion in the 1998 Budget. As shown in Table 17–1, this increase was the net effect of legislative and administrative changes; economic conditions that differed from what had been expected; and technical factors that resulted in different collection patterns and effective tax rates than had been assumed.

Policy differences.—The Taxpayer Relief Act of 1997 (TRA 97), the Balanced Budget Act of 1997, and the Internal Revenue Service Restructuring and Reform Act of 1998 were the only major laws enacted after February 1997 that affected 1998 receipts. In total, the changes provided in these Acts, together with several minor legislative and administrative changes, reduced 1998 receipts by a net $10.0 billion.

Economic differences.—Differences between the economic assumptions upon which the current services estimates were made and actual economic performance accounted for a net increase in 1998 receipts of $38.5 billion. Higher-than-anticipated wages and salaries and non-wage sources of personal income were in large part responsible for the increases in individual income taxes and social insurance and retirement receipts of $20.9 billion and $16.4 billion, respectively. Higher-than-expected corporate profits increased corporation income taxes $0.4 billion above the budget estimate. Excise taxes and estate and gift taxes were also above the budget estimate, in large part attributable to higher-than-estimated levels of nominal gross domestic product (GDP). Higher-than-expected imports and higher-than-expected interest rates increased customs duties and miscellaneous receipts above the budget estimates by $0.1 billion and $0.3 billion, respectively.

Technical reestimates.—Higher-than-anticipated collections of individual income taxes accounted for $108.1 billion of the $119.5 billion increase in 1998 receipts attributable to technical factors. Higher-than-anticipated withheld and estimated payments of 1998 liability, attributable in large part to higher effective tax rates than estimated in February 1997, were in large part responsible for the increase in individual income tax receipts. Higher-than-anticipated net final settlements of 1997 individual income tax liability also contributed to the increase in individual income taxes. Different collections patterns and effective tax rates than assumed in February 1997 were primarily responsible for the higher-than-anticipated collections of corporation income taxes of $2.1 billion. Greater-than-anticipated numbers and values of taxable estates increased estate and gift taxes $5.2 billion above the budget estimate. The failure of taxpayers to take full advantage of a deposit rule change enacted in TRA 97, which shifted the due date for the deposit of certain Highway Trust Fund taxes (otherwise due after July 31, 1998 and before October 1, 1998) to October 5, 1998, was in large part responsible for the net technical revision in excise tax receipts. Increased deposits of earnings by the Federal Reserve, attributable to higher-

[1] The current services concept is discussed in Chapter 14: "Current Services Estimates." For mandatory programs and receipts the February 1997 current services estimate is based on laws then in place. For discretionary programs the current services estimate is based on the prior year estimates adjusted for inflation.

Table 17–1. COMPARISON OF ACTUAL 1998 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Feb. 1997 estimate	Enacted legislation/ administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	708.4	–8.8	20.9	108.1	120.2	828.6
Corporation income taxes.	187.0	–0.9	0.4	2.1	1.7	188.7
Social insurance and retirement receipts	557.9	–1.1	16.4	–1.4	13.9	571.8
Excise taxes	53.3	1.2	0.3	2.9	4.4	57.7
Estate and gift taxes	18.8	–0.0	0.1	5.2	5.3	24.1
Customs duties	19.1	–0.6	0.1	–0.4	–0.8	18.3
Miscellaneous receipts	29.3	0.1	0.3	2.9	3.3	32.7
Total	**1,573.8**	**–10.0**	**38.5**	**119.5**	**148.0**	**1,721.8**

than-expected asset values on securities denominated in foreign currencies, and higher-than-expected contributions to the Universal Service Fund, accounted for most of the $2.9 billion increase in miscellaneous receipts. Lower-than-estimated unemployment insurance receipts accounted for most of the reduction in social insurance and retirement receipts relative to the budget estimate. Customs duties were reduced $0.4 billion below the budget estimate, in large part because of lower-than-estimated taxable activity.

Outlays

Outlays for 1998 were $1,652.6 billion. This was $40.8 billion less than the $1,693.4 billion current services estimate in the 1998 Budget (February 1997).

Table 17–2 distributes the $40.8 billion net decrease in outlays among discretionary and mandatory programs and net interest. The table also makes rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy changes are the result of actions by the Congress or the Administration that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation. For 1998, policy changes increased outlays an estimated $0.2 billion relative to the initial current services estimates.

Policy changes increased discretionary outlays $2.1 billion because outlays from final appropriations were above the initial current services estimates. Policy changes decreased mandatory outlays $2.2 billion below current law. The largest change decreased Medicare outlays by $8.7 billion. This and other decreases were partially offset by increases in several programs, including Medicaid, supplemental security income, and children's health programs. (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

Economic conditions that differed from those forecast in February 1997 resulted in a net outlay decrease of $9.4 billion. Outlays for mandatory programs decreased an estimated $10.3 billion, largely due to lower than expected unemployment rates, which in turn resulted in lower outlays for unemployment compensation and food stamps. Outlays for net interest increased $0.8 billion due to a combination of changes in interest rates and changes in borrowing requirements that resulted from the effect of economic factors on receipts and outlays.

Technical estimating differences and other changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of $31.6 billion. Large decreases occurred for Social Security, Medicare, and Medicaid. The decreases were partially offset by lower than expected revenues from the auction of spectrum licenses.

Deficit/Surplus

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 1998. This section combines these effects to show the net impact of these differences on the deficit or surplus.

As shown in Table 17–3, the 1998 current services deficit was initially estimated to be $119.5 billion. The actual surplus was $69.2 billion, which was a $188.8 billion change from the initial estimate. Receipts were $148.0 billion more than the initial estimate, and outlays were $40.8 billion less. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy decreases for receipts and outlays increased the deficit $10.2 billion.

Economic conditions that differed from the initial assumptions in February 1997 accounted for an estimated $47.9 billion decrease in the deficit. This was the combined effect of an increase in receipts of $38.5 billion

Table 17–2. COMPARISON OF ACTUAL 1998 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 1997)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense	265.4	–1.0	....	5.8	4.8	270.2
Nondefense	288.0	3.1	....	–6.6	–3.5	284.4
Subtotal, discretionary.	553.4	2.1	....	–0.8	1.3	554.7
Mandatory:						
Deposit insurance	–3.9	....	....	–0.5	–0.5	–4.4
Other programs	894.0	–2.2	–10.3	–22.6	–35.1	858.9
Subtotal, mandatory	890.0	–2.2	–10.3	–23.1	–35.5	854.5
Net interest	249.9	0.3	0.8	–7.7	–6.6	243.4
Total outlays	**1,693.4**	**0.2**	**–9.4**	**–31.6**	**–40.8**	**1,652.6**

Table 17–3. COMPARISON OF THE ACTUAL 1998 SURPLUS WITH THE INITIAL CURRENT SERVICES ESTIMATES OF THE DEFICIT

(In billions of dollars)

	Current Services (Feb. 1997)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	1,573.8	–10.0	38.5	119.5	148.0	1,721.8
Outlays	1,693.4	0.2	–9.4	–31.6	–40.8	1,652.6
Surplus/deficit (–)	**–119.5**	**–10.2**	**47.9**	**151.1**	**188.8**	**69.2**

Note: Surplus/deficit (–) changes are receipts minus outlays. For these changes, a plus indicates a decrease in the deficit or an increase in the surplus.

and a decrease in outlays of $9.4 billion. Technical factors decreased the deficit by an estimated $151.1 billion. This was due to an increase in receipts of $119.5 billion and a decrease in outlays of $31.6 billion for technical estimating reasons.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1998

This section compares the original 1998 outlay estimates for mandatory and related programs under current law in the 1998 Budget (February 1997) with the actual outlays. Mandatory and related programs are programs with permanent spending authority that is generally controlled by authorizing legislation rather than by annual appropriations. Outlays for these programs depend on eligibility criteria, benefit levels, and other factors established in law. Major examples of these programs include Social Security and Medicare benefits for the elderly, agricultural price support payments to farmers, and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 17–4 shows the differences between the actual outlays for these programs in 1998 and the amounts originally estimated in the 1998 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 1998 were $1,097.9 billion, which was $42.1 billion less than the initial estimate of $1,140.0 billion, based on existing law in February 1997.

Actual outlays for mandatory human resources programs were $900.9 billion, $36.8 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences.

Outlays for other functions were $4.9 billion less than originally estimated. Undistributed offsetting receipts were $6.1 billion lower than expected, largely due to lower-than-expected receipts from the sale of spectrum licenses.

Outlays for net interest were $243.4 billion or $6.6 billion less than the original estimate. This decrease was the net effect of changes in interest rates from those initially assumed, lower borrowing requirements due to a lower-than-estimated deficit for 1997 and an actual surplus in 1998, and technical factors.

Table 17–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	1998		
	Feb. 1997 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social security	12.7	12.4	–0.3
Health:			
Medicaid	104.5	101.2	–3.2
Other	5.1	5.4	0.2
Total health	109.6	106.6	–3.0
Medicare	208.6	190.2	–18.4
Income security:			
Retirement and disability	78.3	77.6	–0.7
Unemployment compensation	24.7	19.6	–5.1
Food and nutrition assistance	33.9	29.2	–4.7
Other	66.8	65.9	–0.9
Total, income security	203.8	192.3	–11.5
Social security	380.9	376.1	–4.8
Veterans benefits and services:			
Income security for veterans	21.2	21.3	0.1
Other	0.9	2.0	1.1
Total veterans benefits and services	22.0	23.3	1.2
Total mandatory human resources programs	937.7	900.9	–36.8
Other functions:			
Agriculture	8.2	7.9	–0.3
Deposit insurance	–3.9	–4.4	–0.5
Other functions	1.4	–2.8	–4.1
Total, other functions	5.6	0.8	–4.9
Undistributed offsetting receipts:			
Employer share, employee retirement	–35.3	–34.9	0.4
Rents and royalties on the outer continentals	–4.4	–4.5	–0.1
Other undistributed offsetting receipts	–13.7	–7.8	5.9
Total undistributed offsetting receipts	–53.3	–47.2	6.1
Total, mandatory	890.0	854.5	–35.5
Net interest:.			
Interest on the public debt	365.2	363.8	–1.4
Interest received by trust funds	–108.1	–113.8	–5.8
Other interest	–7.2	–6.6	0.6
Total net interest	249.9	243.4	–6.6
Total outlays for mandatory and net interest	1,140.0	1,097.9	–42.1

Reconciliation of Differences with Amounts Published by Treasury for 1998

Table 17–5 provides a reconciliation of the receipts, outlays, and surplus totals published by the Department of the Treasury in the September 30, 1998, Monthly Treasury Statement and those published in this budget. The Department of the Treasury made technical adjustments to the estimates for the U.S. Government Annual Report, which lowered receipts by $12 million and outlays by $189 million. Additional adjustments made for this budget increased receipts by $389 million and outlays by $1,358 million. The major changes were for Federal family education loans and transactions of the United Mine Workers of America benefit funds.

Table 17–5. RECONCILIATION OF FINAL AMOUNTS FOR 1998

(In millions of dollars)

	Receipts	Outlays	Surplus
Totals published by Treasury (September 30, 1998, Monthly Treasury Statement)	1,721,421	1,651,383	70,039
Miscellaneous Treasury adjustments	–12	–189	176
Totals published by Treasury in U.S. Government Annual Report	1,721,409	1,651,194	70,215
Federal family education loans	....	971	–971
United Mine Workers of America benefit funds	340	340	....
Other	49	47	2
Total adjustments, net	389	1,358	–969
Totals in the budget	1,721,798	1,652,552	69,246
MEMORANDUM:			
Total change since September 30, 1998, Monthly Treasury Statement	377	1,169	–793